



KPMG LLP
Suite 2700
707 Seventeenth Street
Denver, CO 80202

March 10, 2004

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

**Re: Application of Qwest Communications International Inc. and
U S WEST, Inc.
CC Docket No. 99-272**

Dear Ms. Dortch:

I enclose the following documents issued in connection with KPMG LLP's attestation examination of Qwest Communications International Inc.'s ("Qwest") compliance with the Merger Orders¹ and the Compliance Plan to the Consent Decree² during the period from January 1, 2003 to December 31, 2003:

- Independent Accountants' Report dated March 10, 2004
- Letter dated March 10, 2004 summarizing certain matters noted during our examination for your consideration. Such matters did not change our judgments about materiality in planning and performing the engagement or in forming our opinion on Qwest's compliance with the Merger Orders and the Compliance Plan to the Consent Decree.

¹ *In the Matter of Qwest Communications International Inc. and U S WEST, Inc., Applications for Transfer of Control of Domestic and International Sections 214 and 310 Authorizations and Application to Transfer Control of a Submarine Cable Landing License*, Memorandum Opinion and Order, CC Docket No. 99-272, FCC 00-91, released March 10, 2000, and FCC 00-231, released June 26, 2000 (the "June 26 Order") (collectively, the "Merger Orders"). Qwest submitted a plan to the Federal Communications Commission (the "Commission") regarding the divestiture of its in-region interLATA services in compliance with the relevant requirements of Section 271 of the Telecommunications Act of 1996. This plan was set forth in a Divestiture Compliance Report submitted on April 14, 2000, and in subsequent filings by Qwest with the Commission in Docket No. 99-272, and was approved by the Commission as consistent with Section 271, subject to certain modifications, as set forth in the June 26 Order (as so modified, the "Final Divestiture Plan").

² *In the Matter of Qwest Communications International Inc.*, Order and Consent Decree, File No. EB-02-IH-0674, FCC 03-107, released May 7, 2003 (the "Consent Decree").





Ms. Marlene H. Dortch
Federal Communications Commission
March 10, 2004
Page 2

The above report and letter are intended solely for the information and use of the board of directors and management of Qwest and the Federal Communications Commission and are not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

KPMG LLP

A handwritten signature in black ink, appearing to read "Carl Geppert".

Carl R. Geppert
Partner

Enclosures

cc: Mr. William Davenport
Mr. Trent Harkrader
Mr. Robert Bentley
Mr. Hugh Boyle
Ms. Mika Savir



KPMG LLP
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Independent Accountants' Report

The Board of Directors of Qwest Communications International Inc.
and the Federal Communications Commission:

We have examined Qwest Communications International Inc.'s ("Qwest") compliance with the Merger Orders¹ and the Compliance Plan to the Consent Decree² during the period from January 1, 2003 through December 31, 2003 (the "Evaluation Period"). Qwest's management is responsible for Qwest's compliance with the Merger Orders and the Compliance Plan to the Consent Decree. Our responsibility is to express an opinion on Qwest's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Qwest's compliance with the Merger Orders and the Compliance Plan to the Consent Decree and performing such other procedures, as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Qwest's compliance with the Merger Orders and the Compliance Plan to the Consent Decree.

In our opinion, Qwest complied, in all material respects, with the Merger Orders and the Compliance Plan to the Consent Decree during the Evaluation Period.

This report is intended solely for the information and use of the board of directors and management of Qwest and the Commission and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Denver, Colorado
March 10, 2004

¹ *In the Matter of Qwest Communications International Inc. and U S WEST, Inc., Applications for Transfer of Control of Domestic and International Sections 214 and 310 Authorizations and Application to Transfer Control of a Submarine Cable Landing License*, Memorandum Opinion and Order, CC Docket No. 99-272, FCC 00-91, released March 10, 2000, and FCC 00-231, released June 26, 2000 (the "June 26 Order") (collectively, the "Merger Orders"). Qwest submitted a plan to the Federal Communications Commission (the "Commission") regarding the divestiture of its in-region interLATA services in compliance with the relevant requirements of Section 271 of the Telecommunications Act of 1996. This plan was set forth in a Divestiture Compliance Report submitted on April 14, 2000, and in subsequent filings by Qwest with the Commission in Docket No. 99-272, and was approved by the Commission as consistent with Section 271, subject to certain modifications, as set forth in the June 26 Order (as so modified, the "Final Divestiture Plan").

² *In the Matter of Qwest Communications International Inc.*, Order and Consent Decree, File No. EB-02-IH-0674, FCC 03-107, released May 7, 2003 (the "Consent Decree").





KPMG LLP
Suite 2700
707 Seventeenth Street
Denver, CO 80202

March 10, 2004

The Board of Directors of Qwest Communications International Inc.
and the Federal Communications Commission

Ladies and Gentlemen:

We have examined Qwest Communications International Inc.'s ("Qwest") compliance with the Merger Orders¹ and the Compliance Plan to the Consent Decree² during the period from January 1, 2003 through December 31, 2003, and have issued our report thereon dated March 10, 2004.

During our examination, we noted certain matters that are presented for your consideration. These matters did not change our judgments about materiality in planning and performing the engagement or in forming our opinion on Qwest's compliance with the Merger Orders and the Compliance Plan to the Consent Decree. We understand that certain of these matters were addressed in the Consent Decree. These matters are summarized as follows:

A. Qwest Employee Access to Customer Account Records

As noted in our letter dated June 11, 2003 to the Commission summarizing certain matters noted during our 2002 examination of Qwest's compliance with the Merger Orders ("June 11, 2003 Letter"), seventeen employees had "super-user" access, which allows an employee to view account records of both Qwest and Touch America, Inc. ("TA") customers and includes the ability to make changes to those records. These employees had responsibilities to troubleshoot network and switch issues upon TA's request. Sixteen of these persons provided declarations that she/he did not use super-user access to make any changes to any TA accounts during 2003. Qwest no longer employs the remaining person and a declaration for 2003 could not be obtained. KPMG obtained a declaration from this person in 2002 that he did not use super-user access to make any changes to any TA accounts in 2002. Nothing came to our attention as a result of our testing that indicates that any actions taken by these employees were in violation of the Merger Orders and the Compliance Plan to the Consent Decree.

¹ *In the Matter of Qwest Communications International Inc. and U S WEST, Inc., Applications for Transfer of Control of Domestic and International Sections 214 and 310 Authorizations and Application to Transfer Control of a Submarine Cable Landing License*, Memorandum Opinion and Order, CC Docket No. 99-272, FCC 00-91, released March 10, 2000, and FCC 00-231, released June 26, 2000 (the "June 26 Order") (collectively, the "Merger Orders"). Qwest submitted a plan to the Federal Communications Commission (the "Commission") regarding the divestiture of its in-region interLATA services in compliance with the relevant requirements of Section 271 of the Telecommunications Act of 1996. This plan was set forth in a Divestiture Compliance Report submitted on April 14, 2000, and in subsequent filings by Qwest with the Commission in Docket No. 99-272, and was approved by the Commission as consistent with Section 271, subject to certain modifications, as set forth in the June 26 Order (as so modified, the "Final Divestiture Plan").

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The Board of Directors of Qwest Communications International Inc.
and the Federal Communications Commission
March 10, 2004
Page 2

B. Prepaid Calling Cards

As noted in our June 11, 2003 Letter, Qwest did not remit to TA certain revenues associated with in-region interLATA use of prepaid calling cards. Additional instances of non-remittance were noted in our 2003 examination. The estimated amount that was not properly remitted to TA during 2003 as a result of this issue was approximately \$19,000, related to approximately 22,657 prepaid card calls (totaling approximately 143,654 minutes). In considering the impact of this matter, the above amounts should be netted against corresponding amounts due from TA to Qwest in cases where Qwest provided operator services or calling card platform functions for TA related to TA's provision of these services to its prepaid card customers, estimated to be \$9,500 for these calls. Qwest and TA entered into a final settlement agreement on November 17, 2003 that settled all outstanding payments with TA.

C. Global Service Provider ("GSP")

As noted in our June 11, 2003 Letter, Qwest had identified instances in its monthly GSP completeness audits where GSP charges were required but not included on the customer invoice. As Qwest identified these instances, the TA GSP charges were added to the Qwest bill, including accrued charges back to prior months in 2003, as appropriate. Additionally Qwest ceased billing for TA GSP charges in November 2003. Any remaining amounts owed to TA for the GSP charges were settled when Qwest and TA entered into a final settlement agreement on November 17, 2003 that settled all outstanding payments with TA.

D. Provision of Support Services

As noted in our June 11, 2003 Letter, Qwest continued to provide certain services to TA, specifically billing and collection, software licensing and switch monitoring and maintenance, subsequent to the June 30, 2002 end date of the transitional support period specified in the Merger Orders and the Final Divestiture Plan. The majority of these services, particularly billing and collection services, involve special product arrangements specifically for calling cards, prepaid cards, Internet and other information services, and operator services. During 2003 billing for these support services ended as specific functions ceased being requested by TA, and all service billing ended by December 31, 2003. Switch monitoring and maintenance was provided to TA for the four switches TA leased from Qwest as part of the Final Divestiture Plan. These switches were returned to Qwest and the services related to these switches ceased on or before December 5, 2003.

E. Durfee, South Dakota Correctional Facility Payphone

As noted in our June 11, 2003 Letter, during the period from December 2002 through April 2003, calls from a correctional facility were misbilled in the name of Qwest Corporation due to an administrative error by T-Netix, a third party operator services provider. This matter was corrected in April 2003 to prevent new calls from being so billed. Of the records sent in 2003, an additional 11,993 minutes of use (approximately \$5,204 in revenue) were already in process for billing prior to the correction and billed incorrectly in the Qwest name. Qwest was not the service provider for these calls.



The Board of Directors of Qwest Communications International Inc.
and the Federal Communications Commission
March 10, 2004
Page 3

F. In-Region Wholesale Transport of Operator Services – Services Originating In-Region

As noted in our June 11, 2003 Letter, Qwest sent a letter to the Commission dated March 7, 2003, in which it reported a matter whereby TA received in-region wholesale transport of operator services from MCI under a contract between MCI and Qwest Communications Corporation. This transport was for 8xx service terminating out-of-region used to carry calls by in-region operator services customers routed to Qwest operator services platforms for call processing. These services resulted from the erroneous transfer of these 8xx numbers from TA's network to MCI's network beginning in October 2001 and completed in January 2002. Qwest made routing changes to correct this issue on February 26, 2003. In 2003, 56 calls related to 49 of these numbers were erroneously routed to the MCI network and erroneously billed under the Qwest name in an amount of approximately \$435.

G. In-Region Wholesale Transport of 8xx Services – Services Terminating In-Region

As noted in our June 11, 2003 Letter, Qwest sent a letter to the Commission dated March 7, 2003, in which it reported a matter whereby TA received in-region wholesale transport of operator services from MCI under a contract between MCI and Qwest Communications Corporation. This transport was for 8xx numbers terminating in-region. These services resulted from the erroneous transfer of these 8xx numbers from TA's network to MCI's network in October 2001. These numbers were either blocked in May or June 2003, or re-routed to TA or a different carrier of the customer's choice. Additionally, as a result of this issue, approximately 18,000 TA calls representing approximately 60,400 minutes of use and \$4,700 were billed with Qwest inappropriately identified as the service provider.

H. Advertising of InterLATA Services

In a letter to the Commission dated April 10, 2003, Qwest reported a matter whereby a television campaign advertising Qwest in-region long-distance services mistakenly ran on April 7 and 8, 2003. The advertisements ran in Arizona, Minnesota, New Mexico, and Oregon where Qwest had not yet received Section 271 authorization. Qwest management represented that the advertisements ran as a result of vendor error and that no sales were made or services provisioned as a result of these advertisements prior to Qwest receiving Section 271 authorization in the above states. Our examination procedures did not note the sale or provisioning of any prohibited services related to this matter. This matter was previously addressed in the Consent Decree.

I. Telemarketing of InterLATA Services

In a letter to the Commission dated November 18, 2003, Qwest reported a matter whereby a telemarketing agent (APAC) contacted Arizona residents offering Qwest in-region long-distance services on November 3 and 4, 2003, prior to Qwest receiving Section 271 authorization in Arizona on December 3, 2003. Qwest management represented that these contacts were made as a result of a vendor error by Allant, the telemarketing initiative manager, and that no sales were made or services provisioned as a result of this telemarketing prior to Qwest receiving Section 271 authorization in Arizona. Our examination procedures did not note the sale or provisioning of any prohibited services related to this matter. On December 15, 2003, the Commission issued a letter of inquiry on this matter, and Qwest has filed its response.

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The Board of Directors of Qwest Communications International Inc.
and the Federal Communications Commission

March 10, 2004

Page 4

Our examination procedures are designed primarily to enable us to form an opinion on Qwest's compliance, in all material respects, with the Merger Orders and the Compliance Plan to the Consent Decree, and therefore may not bring to light all matters that may exist. We aim, however, to use our knowledge of the Company's organization gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these matters with you at any time.

This report is intended solely for the information and use of the board of directors and management of Qwest and the Commission and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP